

Auditing Procedures Report

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Issued under Public Act 2 of 1968, as amended.

Unit Name	Kinde Area Fire Board	County	HURON	Type	OTHER	MuniCode	
Opinion Date-Use Calendar	Jun 12, 2008	Audit Submitted-Use Calendar	Jun 27, 2008	Fiscal Year-Use Drop List	2007		

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input checked="" type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/>	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? <input type="text" value="NA"/>
<input checked="" type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/>	18. Are there reported deficiencies?
<input checked="" type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 99,686.00
General Fund Expenditure:	\$ 107,643.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	\$ 61,815.00
Governmental Activities Long-Term Debt (see instructions):	\$ 52,876.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	Brian	Last Name	Hazard	Ten Digit License Number	1101014007						
CPA Street Address	7274 Hartley Street		City	Pigeon	State	MI	Zip Code	48755	Telephone	+1 (989) 453-3122	
CPA Firm Name	Nietzke & Faupel, PC		Unit's Street Address	205 Main Street		City	Kinde	LU Zip	48445		

KINDE AREA FIRE BOARD

**FINANCIAL STATEMENTS
DECEMBER 31, 2007**

KINDE AREA FIRE BOARD

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INDEPENDENT AUDITOR'S REPORT

Kinde Area Fire Board
Kinde, Michigan 48445

We have audited the accompanying financial statements of the business-type activities of the Kinde Area Fire Board, Kinde, Michigan, as of and for the year ended December 31, 2007, which comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Kinde Area Fire Board, Kinde, Michigan's management. Our responsibility is to express opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Kinde Area Fire Board, Kinde, Michigan, as of December 31, 2007, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2 through 4 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

NIETZKE & FAUPEL, P.C.
PIGEON, MICHIGAN

June 12, 2008

KINDE AREA FIRE BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2007

Introduction

The discussion and analysis of Kinde Area Fire Board's financial performance provides an overview of the Board's financial activities for the year ended December 31, 2007. This report is a part of the Board's Annual Report.

The purpose of the Board is to provide fire protection, emergency medical services, and other related services to Dwight, Lincoln, and Meade Townships. The Board is overseen by the Governing Board which consists of a trustee from each Township or their appointed representatives. Charges to the Townships for services is the major source of funding for the Board. These charges are budgeted by the Board and then approved by the Board's Governing Board and each of the three Township Boards.

Using the Annual Report

This annual report consists of a series of financial statements as follows:

- ▶ **The Statement of Net Assets** presents information on all of the Board's assets and liabilities, with the difference between the two reported as net assets.
- ▶ **The Statement of Revenue, Expenses and Changes in Net Assets** presents information showing how the Board's net assets changed during the most recent year. All changes in net assets are reported on an accrual basis, that is, the event is recorded in the accounting records when the underlying event takes place regardless of the timing of the related cash flows.
- ▶ **The Statement of Cash Flows** presents the financial activities of the Board on a cash received and cash paid basis. This statement also reconciles the change in cash accounts for the Board from the prior year to the current year.
- ▶ **Notes to the Financial Statements** provide additional details underlying the data provided in the financial statements.

Financial Highlights

The Statement of Net Assets outlines the assets, liabilities and net assets of the Board. The total assets decreased from \$332,575 in the prior year to \$311,573 in the current year, a decrease of \$21,002. The current year assets include:

	<u>12/31/07</u>		<u>12/31/06</u>	
Unrestricted current assets (cash, investments, and receivables)	\$ 64,328	20.65%	\$ 38,443	11.56%
Capital Assets	<u>247,245</u>	<u>79.35%</u>	<u>294,132</u>	<u>88.44%</u>
Total Assets	<u>\$311,573</u>	<u>100.00%</u>	<u>\$332,575</u>	<u>100.00%</u>

KINDE AREA FIRE BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2007

The change in assets from the prior year were:

	<u>12/31/07</u>	<u>12/31/06</u>
Unrestricted current assets (cash, investments, and receivable)	\$ 25,885	\$(49,752)
Capital Assets	<u>(46,887)</u>	<u>135,860</u>
Total Change in Assets	\$ <u>(21,002)</u>	\$ <u>86,108</u>

The total assets decreased from \$332,575 to \$311,573. This decrease is due to depreciation of the capital assets.

The current year liabilities compared to the prior year follows:

	<u>12/31/07</u>	<u>12/31/06</u>
Current liabilities	\$ 18,506	\$16,431
Long term liabilities	<u>52,876</u>	<u>68,870</u>
Total Liabilities	\$ <u>71,382</u>	\$ <u>85,301</u>

The total liabilities decreased from \$85,301 to \$71,382. This decrease is due to principal payments on a note payable for a rescue truck.

The change in net assets \$(7,083) as shown on the Statement of Revenues, Expenses, and Changes in Net Assets includes:

	<u>12/31/07</u>	<u>12/31/06</u>
Operating loss (operating revenues less operating expenses)	\$(7,957)	\$ (18,765)
Non-Operating Revenues	<u>874</u>	<u>22,649</u>
Change in net assets	\$ <u>(7,083)</u>	\$ <u>3,884</u>

This change in net assets decreased the net assets from \$247,274 at the beginning of the year to \$240,191 at the end of the year. The total net assets includes \$178,375 for capital assets net of related debt, with the remainder amount \$61,815 unrestricted.

The Board realizes nearly all of its operating revenue from two sources: charges for services to the three Townships and fire run fees. Charges for services in the amount of \$84,291 comprise 84.56% of the revenue while fire run fees in the amount of \$15,395 comprise the remaining 15.44%. Total operating revenue increased by \$11,296 or 12.78% from the prior year. The relative percentages for sources of revenue did not change significantly from one year to the next.

The largest expense is depreciation making up \$46,887 or 43.56% of the expenses. Insurance in the amount of \$19,503 represent 18.12% of the expenses. Personal services and materials makes up the remaining \$41,253 or 38.32% of the total expenses. Total operating expenses increased \$488 or .5% from the prior year due to the increase in interest expense for the year.

KINDE AREA FIRE BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2007

The non-operating revenue of the prior year was \$22,649 as compared to \$874 in the current year. In 2006 FEMA Grants were \$17,000 and interest income was \$839 compared to \$0 for grants and \$874 of interest income in the current year.

During the year 2007 there were no significant variations between the actual revenues and expenses and the budgeted revenues and expenses as approved by the Governing Board and each of the Township Boards. The overall financial position of the Board has not significantly changed from the prior year as the agreement for services and funding between the Board and Townships has remained fundamentally the same.

Requests for Information

This financial report is designed to provide citizens of Dwight, Lincoln and Meade Townships with a general overview of the Board's finances and to show accountability for the funding it receives. Questions concerning any of the information in this report should be addressed to:

Dennis Wruble, President
Kinde Area Fire Board
Kinde, MI 48445

KINDE AREA FIRE BOARD
STATEMENT OF NET ASSETS
DECEMBER 31, 2007

Current assets:

Cash	\$ 55,003	
Accounts receivable	<u>9,325</u>	
Total current assets		\$ 64,328

Non-current assets:

Capital assets:

Building and improvements	123,524	
Equipment	527,891	
Accumulated depreciation	<u>(404,170)</u>	
Total capital assets, net of accumulated depreciation	<u>247,245</u>	
Total non-current assets		247,245
		<hr/>
Total assets		<u>311,573</u>

Current liabilities:

Accounts payable	955	
Accrued payroll taxes	1,557	
Current portion of long term liability	<u>15,994</u>	
Total current liabilities		18,506

Long term liability:

Note payable - Independent Bank	<u>52,876</u>	
Total long term liability		52,876

Total liabilities:

71,382

Net assets:

Investment in capital assets, net of related debt	178,375	
Unrestricted	<u>61,815</u>	
		<hr/>
Total net assets		<u>\$ 240,191</u>

KINDE AREA FIRE BOARD

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS YEAR ENDED DECEMBER 31, 2007

OPERATING REVENUES:

Charges for services	\$ 84,291	
Fire run income	<u>15,395</u>	
Total operating revenue		\$ 99,686

OPERATING EXPENSES:

Audit fees	2,400	
Bank charges	35	
Depreciation	46,887	
Dues and memberships	120	
Fire board wages	1,000	
Gas and oil	587	
Interest	5,103	
Insurance	19,503	
Mileage	288	
Office supplies	207	
Professional fees	1,570	
Repairs and maintenance	2,596	
Salaries	19,746	
Taxes - FICA	1,587	
Telephone	533	
Utilities	5,481	
Total operating expenses	<u></u>	<u>107,643</u>
Operating (loss)		(7,957)

NON-OPERATING REVENUES:

Interest income	<u>874</u>	
Total non-operating revenues		<u>874</u>
Change in net assets		(7,083)

NET ASSETS AT JANUARY 1, 2007 247,274

NET ASSETS AT DECEMBER 31, 2007 \$ 240,191

KINDE AREA FIRE BOARD
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2007

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from townships for fire services	\$ 84,291
Cash received from others for fire services	9,070
Cash payments to employees	(20,746)
Cash payments to suppliers for materials and services	<u>(39,799)</u>

Net cash provided by operating activities \$ 32,816

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Payment on note payable - Independent Bank	<u>(14,130)</u>
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Net cash (used) by capital and related financing activities (14,130)

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest income	<u>874</u>
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Net cash provided by investing activities 874

Cash and cash investments at January 1, 2007	<u>35,443</u>
Cash and cash investments at December 31, 2007	<u><u>\$ 55,003</u></u>

**RECONCILIATION OF OPERATING (LOSS) TO NET
CASH FLOWS FROM OPERATING ACTIVITIES:**

Operating (loss)	\$ (7,957)
Add depreciation expense	46,887
Changes in current assets and current liabilities	
(Increase) in current assets:	
Accounts receivable	(6,325)
Increase in current liabilities:	
Accounts payable	95
Accrued payroll taxes	116
Net cash flows from operating activities	<u><u>\$ 32,816</u></u>

KINDE AREA FIRE BOARD

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Board have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to enterprise funds of governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

The Kinde Area Fire Board is a jointly governed organization, located in the Village of Kinde, which provides fire protection services to participating townships. The Board has three participating townships; Dwight, Lincoln and Meade, which entered into an interlocal agreement pursuant to the Urban Cooperation Act (MCL 124.501) dated December 14, 1977. The Fire Board consists of seven voting members, two from each township and one from the Village of Kinde.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", these financial statements present the funds of the Board. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading, if data were not included. Based on the criteria, there are no component units which should be included in the financial statements of the Kinde Area Fire Board.

Measurement Focus, Basis of Accounting and Basis of Presentation

The Fire Board is presented as an enterprise fund. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred or an economic asset is used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The Fire Board follows all pronouncements of the Governmental Accounting Standards Board, and has elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989.

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of reporting the statement of cash flows, the Board considers all cash amounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

KINDE AREA FIRE BOARD

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Capital Assets

Capital assets are defined by the Board as assets with an initial individual cost of more than \$1,000. Capital assets of the Board are reported at cost or the fair market value at the time of contribution to the Board. Capital assets in service are depreciated using the straight-line method over the following useful lives:

	Years
Buildings	30
Equipment	10

Property Taxes/Township Contributions

The 2006 taxable value of Dwight, Lincoln and Meade townships was \$27,685,821; \$30,180,158; and \$29,516,109, respectively, on which ad valorem taxes of .9592, .9702 and .9640 mills, respectively, were levied for 2007 fire protection purposes. The total tax contribution from the townships of \$84,291 is recorded as revenue on Board records in and for the fiscal year ended December 31, 2007.

The townships collect property taxes levied on December 1 on the taxable valuation of property located in the townships as of the preceding December 31st. The townships transfer the taxes collected to the Board as each township's required contribution.

NOTE 2 - CASH DEPOSITS:

Deposits are carried at cost. Deposits of the Board are made in banks in the name of the Kinde Area Fire Board Treasurer. Michigan Compiled Laws, Section 129.91, as amended by Public Act 196 of 1997, authorizes the Board Treasurer to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities, and direct obligations of the United States, or any agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the two highest classifications, which matures not more than 270 days after the date of purchase. The Board's deposits are in accordance with statutory authority.

At December 31, 2007, the carrying amount of the Board's deposits was \$55,003 and the bank balance was \$55,312. Of the bank balance, \$55,312 was covered by federal depository insurance. Since the Board's deposits are insured these deposits are not subject to credit risk, custodial credit risk, concentration of credit risk, interest rate risk, or foreign currency risk.

KINDE AREA FIRE BOARD

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007

NOTE 3 - CHANGES IN CAPITAL ASSETS:

	BALANCE DECEMBER 31, <u>2006</u>	<u>ADDITIONS</u>	<u>DISPOSALS</u>	BALANCE DECEMBER 31, <u>2007</u>
CAPITAL ASSETS:				
Building and improvements	\$ 123,524			\$ 123,524
Equipment	<u>527,891</u>			<u>527,891</u>
TOTAL CAPITAL ASSETS	651,415			651,415
Less: Accumulated depreciation	<u>(357,283)</u>	\$ (46,887)		<u>(404,170)</u>
NET CAPITAL ASSETS	<u>\$ 294,132</u>	<u>\$ (46,887)</u>		<u>\$ 247,245</u>

NOTE 4 - RISK MANAGEMENT:

Significant losses are covered by commercial insurance for all major programs. For the year ended December 31, 2007, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 5 – LONG TERM LIABILITIES:

Note payable to Independent Bank – East Michigan dated January 2006 maturing in January 2011. This note is due in annual payments of \$19,234 including principal and interest at a fixed rate of 4.65%. The balance of this note on December 31, 2007 was \$68,870. This note is secured by the new Pierce Rescue Truck purchased in January 2006.

The following is a summary of the debt outstanding as of December 31, 2007.

	Number of Issues	Interest Rate	Maturing Through	Principal Outstanding
Pierce Rescue Truck	1	4.65%	2011	\$68,870

The following is a summary of debt transactions for the year ended December 31, 2007:

Fire Truck

Note:

Payable January 1, 2007	\$ 83,000
Retired	<u>14,130</u>
Payable December 31, 2007	<u>\$68,870</u>

Maturities for the Note Payable

Year Ending
December 31,

Note Payable

Fire Truck

	<u>Principal</u>	<u>Interest</u>
2008	\$ 15,994	\$ 3,240
2009	16,746	2,487
2010	17,534	1,699
2011	<u>18,596</u>	<u>872</u>
	<u>\$ 68,870</u>	<u>\$ 8,298</u>

To the Board of Trustees
Kinde Area Fire Board
Kinde, Michigan

In planning and performing our audit of the financial statements of the business-type activities of the Kinde Area Fire Board as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Kinde Area Fire Board's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal controls.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

We noted that duties involving cash receipts are combined whereby one person is completely responsible for the entire cash receipts process. To improve the internal controls over cash receipts, we recommend that the Kinde Area Fire Board establish new procedures for handling incoming checks. We recommend that one person, independent of the accounting records, open the mail and restrictively endorse all incoming checks. This person should keep a daily log of all incoming checks. Copies of the checks should be forwarded to the appropriate person for processing and recording in the accounting system and for timely deposit. A third person should periodically compare and contrast deposit slips to the daily log of incoming checks to ensure that all the receipts were deposited. By segregating the cash handling, recording, and depositing functions, the Kinde Area Fire Board will be able to more accurately track all incoming checks and strengthen the system of internal controls over cash receipts.

Currently, Kinde Area Fire Board's normal practice is to simply pay all cash disbursements without recording these transactions through the accounts payable system. An open invoice file, however, is maintained for all open invoices that remain to be paid. Although this procedure may be effective, it does not maintain the books on an accrual basis, tends to be inefficient, and becomes more cumbersome and

error prone as transactions volume grows. A listing of unpaid invoices should be prepared on a monthly basis that should match the general ledger. This practice would allow for a much stronger control over accounts payable and the amounts reflected in the financial statements.

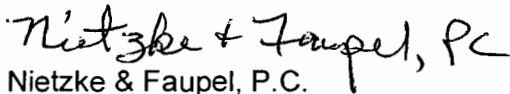
A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses:

Currently, an individual who is responsible for other cash functions also prepares the bank reconciliation. This provides an ineffective system of cash control, because it permits the possibility of fraudulent activities due to the lack of an adequate segregation of duties. An individual independent of cash receipt and disbursement activities should review the bank reconciliation for any unusual items and document their approval by initialing the form. This will significantly improve the system of checks and balances necessary for strong cash control.

Our audit procedures revealed that there is no systematic method of ensuring that timely and complete year end reconciliation and closing procedures take place. This accounting function disorganization will ultimately cause significant errors in the financial records and financial statements as well as allow possible irregularities, including fraud, to exist and continue without notice. This situation should be corrected as soon as possible with the establishment of a system of consistent closing procedures.

The personnel of the Kinde Area Fire Board have the capability to perform monthly internal accounting functions and reports as required by the Board. The personnel of the Kinde Area Fire Board do not have the internal expertise to prepare the annual financial statements and related footnotes in accordance with generally accepted accounting principles. We believe this meets the definition of a material weakness under Statement of Auditing Standard #112.

This communication is intended solely for the information and use of management, the Kinde Area Fire Board, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.


Nietzke & Faupel, P.C.
Pigeon, Michigan

June 12, 2008